

## Message Text

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USIAEA

FOLLOWING REPEAT BELGRADE 4142 ACTION SECSTATE JUNE 3

QUOTE LIMITED OFFICIAL USE BELGRADE 4142

E.O. 11652: N/A

TAGS: TECH, ENRG, YO

SUBJECT: KRSKO NUCLEAR FUEL SUPPLY NEGOTIATIONS

SUMMARY: AMBASSADOR MET MAY 30 WITH ASSISTANT FOREIGN SECRETARY BERNARDIC WHO TRANSMITTED THREE DRAFT LETTERS CONSTITUTING YUGOSLAV RESPONSE TO PREVIOUS U.S. PROPOSALS ON KRSKO NUCLEAR FUEL SUPPLY. LETTERS ARE VRHOVEC TO VANCE, VANCE TO VRHOVEC AND VRHOVEC TO IAEA AND ARE BEING SENT BY FOLLOWING SEPTELS. IN HANDING OVER LETTERS, BERNARDIC MADE DETAILED 7-POINT PRESENTATION STRESSING YUGOSLAV DESIRE TO MOVE AHEAD ON NEGOTIATIONS AS SOON AS POSSIBLE, EXPLAINING RATIONALE FOR SHORT-TERM AGREEMENT AND EMPHASIZING THAT YUGOSLAV POSITION FULLY IN ACCORDANCE WITH INTERNATIONAL NUCLEAR NONPROLIFERATION OBLIGATIONS AND COGNIZANT OF US NONPROLIFERATION POLICY AND CONCERNS REGARDING DISPOSITION  
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OF SPENT FUEL. END SUMMARY.

1. BERNARDIC SAID YUGOSLAVS WANT TO ENTER INTO FINAL STAGE OF NUCLEAR FUEL SUPPLY NEGOTIATIONS AND PROCEED TO CONCLUSION AS SOON AS POSSIBLE DUE TO APPROACHING CONSTRUCTION DATE REQUIREMENTS AT KRSKO, HE EXPLAINED THAT DELAY IN PROVIDING RESPONSE TO LAST U.S. PROPOSAL IN EARLY MARCH

SERVES TO DEMONSTRATE THAT YUGOSLAV POSITION HAS BEEN EXTREMELY WELL-PREPARED AND THOROUGHLY COORDINATED WITHIN GOY, INCLUDING ENTERPRISES, SLOVENIA, CROATIA, AND OTHER REPUBLICS, FEDERAL GOVERNMENT, AND THE "POLITICAL LEADERSHIP". THIS TOOK TIME, HE SAID, BUT THE THREE DRAFT LETTERS NOW REPRESENT A CONSENSUS AND A COMMON VIEW ON ALL FACTORS INVOLVED.

2. BERNARDIC EMPHASIZED THAT YUGOSLAVS ARE WELL ACQUAINTED WITH USG VIEWS AND OTHER FACTORS CONCERNING NUCLEAR NONPROLIFERATION POLICY. HE SAID YUGOSLAVS KNOW U.S. PREOCCUPATIONS WITH THIS SUBJECT AND HAVE ATTEMPTED TO SATISFY THEM. THIS, HE SAID, WAS NOT DIFFICULT SINCE YUGOSLAVIA SHARES "FUNDAMENTAL AND COMMON" VIEWS WITH THE U.S. ON NONPROLIFERATION.

3. BERNARDIC SAID YUGOSLAVS HAVE TAKEN ACCOUNT OF CONCRETE PRACTICE OF NEW U.S. POLICY, INCLUDING U.S. EXPERIENCE WITH OTHER FOREIGN PARTNERS IN SIMILAR CASES AND IN DEALING WITH SIMILAR PROBLEMS. TOGETHER WITH THIS THEY HAVE KEPT IN MIND YUGOSLAVIA'S OWN MORAL OBLIGATIONS IN THE NONPROLIFERATION FIELD. YUGOSLAVIA, HE SAID, IS COMPLETELY INDEPENDENT AND NON-ALIGNED AND HAS EXERTED MAJOR EFFORTS ON BEHALF OF THE NPT. THEREFORE, BERNARDIC EMPHASIZED, YUGOSLAVIA CANNOT RECEIVE WORSE TERMS OR TREATMENT FROM THE U.S. THAN COUNTRIES WHO DID NOT SIGN THE NPT, AND -- LIMITED OFFICIAL USE

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IN FACT -- SHOULD RECEIVE BETTER TERMS. HE SAID YUGOSLAVIA CANNOT ACCEPT BEING PLACED IN THE SAME "BASKET" WITH OTHER COUNTRIES WHICH HAVE MISUSED THE NUCLEAR ENERGY THEY RECEIVED.

4. BERNARDIC REFERRED TO YUGOSLAV PARTICIPATION IN THE INFCE AND SAID YUGOSLAVIA HAS SUPPORTED EFFORTS TO "INTRODUCE ORDER" IN THIS AREA AND REACH AGREEMENT ON THE NUCLEAR FUEL CYCLE IN A MANNER THAT WOULD SAFEGUARD THE INTERNATIONAL COMMUNITY AND AT THE SAME TIME ENSURE THE FREE TRANSFER OF NUCLEAR ENERGY TO THOSE COUNTRIES NEEDING IT. HE SAID ONE CONSEQUENCE OF MAJOR IMPORTANCE FROM THE INFCE MEETING IN WASHINGTON WAS AGREEMENT THAT NATIONAL NUCLEAR PROGRAMS WERE NOT TO BE IMPEDED DURING THE COURSE OF THE NUCLEAR FUEL CYCLE TALKS.

5. BERNARDIC SAID THAT THE YUGOSLAV DRAFT DOCUMENTS RECR ALL YUGOSLAVIA'S RESPONSIBILITIES WITH REGARD TO THE NPT, IAEA SAFEGUARDS AND THE COMMERCIAL AGREEMENTS ON KRSKO. HE STRESSED THE IMPORTANCE OF EXTENDING THE COMMERCIAL AGREEMENTS FOR KRSKO TO COVER ALL FUEL DELIVERED FROM THE U.S. FOR AS LONG A PERIOD AS THE CONTRACT IS VALID. HE SAID THAT

IN THIS WAY ALL RISKS THAT MIGHT ARISE FROM ANY MISUSE ARE COVERED.

6. BERNARDIC STATED THAT YUGOSLAVS HAVE UNDERSTOOD THAT FOR THE U.S. THE BIGGEST PROBLEM IS DISPOSITION OF SPENT FUEL AT KRSKO. THIS WAS CLEAR DURING THE EARLIER TALKS REGARDING SUPPLY OF EQUIPMENT, HE SAID, AND YUGOSLAV FIRMS ASSUMED RESPONSIBILITY FOR DISCUSSING DISPOSITION PROBLEM WITH THE U.S. UNDER TERMS OF MINIC/VANCE LETTER OF MAY 1977. BERNARDIC SAID YUGOSLAV RESPONSIBILITY IN REGARD TO SPEND FUEL IS A "BILATERAL AND MUTUAL OBLIGATION" AND IS RELATED TO SOLVING OVERALL PROBLEM OF NUCLEAR FUEL SUPPLY. HE SAID IN FIRST ROUND OF KLJUN/NOSENZO TALKS YUGOSLAVS HAD AGREED THAT AFTER THE FIRST CYCLE ALL IRRADIATED FUEL FROM THE U.S. WOULD BE RETURNED TO THE U.S. AND THAT THIS YUGOSLAV POSITION HAD BEEN CLEAR. IN THIS YUGOSLAVIA HAD CONFIRMED ITS INTEREST IN LIMITED OFFICIAL USE

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USING NUCLEAR FUEL FOR ELECTRICAL ENERGY -- NOT FOR THE PRODUCTION OF PLUTONIUM OR NUCLEAR BOMBS. FOR ITS OWN REASONS, HE WENT ON, THE U.S. WOULD NOT ACCEPT THIS PROPOSAL ALTHOUGH YUGOSLAVS HAD UNDERSTOOD THAT THE U.S. PRESIDENT COULD DECIDE TO TAKE BACK A LIMITED QUANTITY OF SPENT FUEL FOR STORAGE. INSTEAD, THE U.S. PROPOSED THAT THE FUEL BE STORED IN YUGOSLAVIA. THE YUGOSLAVS HAVE ACCEPTED THIS, BERNARDIC SAID, AND THE PRESENT DRAFT GOY LETTERS ARE ALONG THIS LINE COVERING FUEL RECEIVED UNDER A SHORT-TERM AGREEMENT. IT IS UNDERSTOOD THAT YUGOSLAVIA WILL RECONFIRM ALL OBLIGATIONS REGARDING SPENT FUEL, I.E., IN CONFORMANCE WITH IAEA SAFEGUARDS. THE QUESTION REMAINS, HOWEVER, OF WHAT WILL HAPPEN WITH SPENT FUEL STORED IN YUGOSLAVIA IN THE FUTURE, AND THE YUGOSLAVS WISH TO CONTINUE NEGOTIATIONS WITH THE U.S. TO ELIMINATE THIS PROBLEM. BERNARDIC STRESSED THAT YUGOSLAVIA UNDERTOOK OBLIGATIONS OF MINIC/VANCE LETTER AND ALSO OBLIGATION NOT TO PRODUCE NUCLEAR WEAPONS WHICH IS A MAJOR DEMAND OF THE USG. HE SAID HE WISHED TO EMPHASIZE THAT YUGOSLAVIA WOULD NOT TOUCH ANY SPENT FUEL STORED ON ITS TERRITORY WITHOUT UNDERTAKING TALKS WITH THE U.S. FIRST ON ANY DISPOSITION TO BE MADE. THIS IS THE ESSENCE OF THE MATTER, HE STATED.

7. BERNARDIC SAID HE WOULD LIKE TO GIVE SEVERAL ARGUMENTS WHY YUGOSLAVIA IS PROPOSING A "SHORT-TERM AND TEMPORARY" AGREEMENT. FIRST, EVERYTHING IN THE AREA OF NUCLEAR ENERGY IS NOW IN A PERIOD OF CHANGE AND UNCERTAINTY. THE INFCE IS NOW IN PROGRESS AND THE DEBATE ON FUEL CYCLE, IN WHICH ALL MAJOR USERS AND PRODUCERS ARE TAKING PART, IS LIKELY TO LAST AT LEAST TWO YEARS. MOREOVER, NEW TECHNOLOGY IS BEING DISCOVERED FOR REACTORS, URANIUM EXTRACTION FROM SPENT FUEL, THE SEPARATION OF PLUTONIUM, ETC. ALSO, THE WORLD CONFERENCE ON NUCLEAR ENERGY WILL BE HELD DURING THIS PERIOD. LIMITED OFFICIAL USE

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MEANWHILE, THE NEW U.S. POLICY IS BEING IMPLEMENTED WITH OTHER COUNTRIES AND IS ENCOUNTERING DIFFICULTIES. IN GENERAL, THERE IS A BROAD DEBATE ON THE SUBJECT OF NUCLEAR ENERGY THROUGHOUT THE WORLD. THESE, BERNARDIC SAID, ARE THE MAIN REASONS JUSTIFYING THE CONCLUSION OF A SHORT-TERM AGREEMENT AT THIS TIME. HE SAID IT COULD THEN BE EXTENDED TWO OR THREE YEARS AND COULD BE HARMONIZED TO CONFORM WITH ANY NEW MULTILATERAL AGREEMENTS ON THE INTERNATIONAL LEVEL.

8. AFTER PRESENTING THE POINTS ABOVE, AND IN CONCLUSION, BERNARDIC SAID THAT IN DEVELOPING THE FORMULAS PRESENTED IN THE DRAFT LETTERS YUGOSLAVS REALIZED THEY WERE UNDERTAKING "IMPRESSIVE RESPONSIBILITIES" BUT ALSO MADE SURE THAT THEY DO NOT LIMIT THEIR OWN FREEDOM TO USE NUCLEAR ENERGY FOR PEACEFUL PURPOSES. YUGOSLAVIA, HE SAID, CANNOT ACCEPT ANYTHING WHICH WOULD LIMIT ITS SOVEREIGN RIGHTS. HE EXPRESSED THE HOPE THAT AFTER THE DRAFT LETTERS WERE STUDIES IN THE USG THE KLJUN/NOSENZO TALKS COULD RESUME AT AN EARLY DATE, AND EMPHASIZED ONCE AGAIN THE NEED TO FIND A SOLUTION AS SOON AS POSSIBLE. EALGLEBURGER. UNQUOTE VANCE

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## Message Attributes

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